

Components of Development Viability Summary Table

Viability metrics in Welsh Development Plans Manual (edition 3, March 2020)		Lichfields comment
Notional sites or actual sites	Decide whether to test a notional site or specific sites, reflecting the type of sites that the plan is reliant upon.	It is important to ensure that the viability assessment takes account of an appropriate number of sites/typologies that reflect the character of the area and the nature of development that is expected to come forward. For LDP assessments, this will typically require a review of a range of typologies rather than individual sites.
Development mix	It is important to ensure that the proposed development mix/tenure split is realistic.	An understanding of development mix will inform a calculation of GDV. Consideration of the development mix will inform this, and reasonable assumptions must be made regarding the mix of market and affordable houses (type and size of houses and tenure split) on each development. GDV for market housing should be based on land registry and EPC data, whilst GDV for affordable housing should be based on the appropriate ACG figure.
Funding streams	Any agreed funding streams should be factored into the assessment to ensure if this will have a bearing on the viability of development.	We agree that it is important to reflect all sources of funding (and costs) into the assessment of viability.
Site value	<p>The evidence should be clear as to the level of return that would entice a landowner to sell their site, recognising that this can vary across an authority area.</p> <p>Evidence of price paid for comparable sites will be an important starting point.</p>	Land value arguably represents the most important component of any viability assessment. Ensuring an adequate return to landowners is critical in ensuring that land can come forward for development, but a balance must be drawn between landowners' "hope value" and the importance ensuring that development is deliverable. Obtaining data on comparables is helpful but it is important to avoid the "policy circularity" risks highlighted by Holgate J in the Parkhurst Road HCJ (https://lichfields.uk/blog/2019/june/20/reassessing-land-values/)
Build costs	BCIS to be used but adjustments to be applied to take account of increased costs (e.g. contamination). Additional allowance to be applied to take account of changes to regulations prior to these being reflected in BCIS data.	We agree that BCIS figures should be applied for the base build costs, but that additional allowances should also be made for opening up costs and abnormal development costs (set as a percentage of base build costs) and policy requirements (set as a figure per sqm).
Policy requirements	The average costs attributed to policy requirements, s106 contributions and CIL should be taken into account. These should be sufficient to ensure that policy objectives are met but without undermining the viability and deliverability of development.	An understanding of the costs associated with policy requirements is critically important within the viability testing. An iterative approach should be taken to the formation of such policy requirements, such that they do not have an adverse impact on the ability of much-needed development to come forward. This will require collaboration between the LPA and all involved in the development process.
Profit	Typical market rate of 15-20% of GDV and affordable rate of 6% of GDV.	The profit margin is important in helping developers to take account of risk and in normal economic circumstances a figure of 20% should be applied for open market housing, with 6% for affordable housing. A blended average of 15-20% is appropriate, with the position within that range principally determined by the level of affordable housing provision that is sought.
Contingency	Inclusion of a contingency allowance will ensure that changes in circumstances can be taken into account. The evidence should be clear what contingency allowance has been applied.	We agree that a contingency allowance is important to ensure flexibility within the analysis. Given the high level nature of assessments undertaken as part of the LDP process, it will ensure that the viability of allocations are not affected by changes in circumstances.
Fees	Percentage allowance applied for professional fees and marketing costs. Allowance depends on size of developer and size/nature of site	The size of site and developer tends not to have a significant impact on the percentage allowance that should be applied in respect of fees and at plan making stage it is not known who would build out a site, so it is preferable to apply a consistent rate for each element of the fees. Additional fees should also be applied in respect of finance and land acquisition.
Sensitivity testing	Sensitivity testing of the core assumptions should be undertaken to ensure flexibility and to inform the level of contingency and additional buffer to apply.	Sensitivity testing is important but some metrics are subject to greater variation and would therefore benefit from a greater level of testing. The development mix and policy requirements should also be subject to sensitivity testing.